

Budget Overview

Governor Patrick's and Lieutenant Governor Murray's fiscal year 2009 budget continues moving Massachusetts forward on a path to change and shared prosperity. The budget makes targeted investments that are critical to promoting economic growth and opportunity and building a better future for the Commonwealth. It also maintains fiscal responsibility, closing a projected deficit through an emphasis on greater efficiency and reform and careful approaches to generating additional revenues.

The Patrick-Murray Administration faced major challenges in building the fiscal year 2009 state budget. The cost of simply continuing to provide state government services based on current program design (without program expansions or new initiatives) stood to exceed predicted tax revenues by well over a billion dollars. This budget gap is the legacy of decades of neglect in making investments needed to achieve the full promise of job creation in Massachusetts; continuing reliance on one-time revenues instead of sustainable funding sources to pay for public priorities; and the fact that there remains much work to be done to reform state government and make it more efficient and cost-effective.

Confronting a large projected structural deficit but also continuing needs for public investment, the Administration developed this budget based on a series of careful choices aimed at addressing our state's highest priorities while also maintaining fiscal responsibility.

The budget makes targeted investments in education, Local Aid, public safety and job creation that are critical to promoting economic growth and opportunity. Investing in the fundamentals of economic expansion will not only build a better future for the people of Massachusetts but also help generate sustainable revenues for the services that families and businesses need. Even with our fiscal challenges, we cannot afford *not* to make these investments. The cost of inaction would be a less successful and competitive economy and workforce and – on that account – even greater fiscal challenges due to lagging revenues and higher social costs.

These targeted investments are part of a balanced and fiscally responsible budget. The budget curbs unnecessary or unwarranted expenditures through an emphasis on efficiency, performance and reform. It generates additional revenues through improved tax enforcement and greater corporate tax fairness. The budget also protects cities and towns from an anticipated deficit in the State Lottery Fund in fiscal year 2009, plugging this deficit with a portion of the initial licensing fees from three destination resort casinos proposed by the Administration. Though not included in the budget, under the Administration's gaming proposal, additional licensing fees from these casinos would support direct property tax relief for Massachusetts homeowners and local transportation and infrastructure improvements.

Finally, the budget builds on last year's progress in making our state's fiscal blueprint more transparent and user-friendly, containing new details about revenues and transfers and enhancements to make information ADA-accessible.

Targeted Investments

The budget makes targeted investments in education, Local Aid, public safety and job creation that are critical to promoting economic growth and opportunity in Massachusetts and strengthening our fiscal climate in the long-run.

World-Class Education

The Patrick-Murray Administration believes that offering each and every one of our children access to a world-class education is essential to creating broad-based opportunity throughout Massachusetts and strengthening our state's global competitiveness.

The Governor's vision for the next phase of education reform entails building a comprehensive, child-centered public education system starting with universal, high-quality early education and continuing through adult skills training. Investing in the education of our young people would not only enhance opportunity and our state's competitiveness but also *reduce* social, fiscal and economic costs associated with the lack of a comprehensive

education. Indeed, on average, high school dropouts have lower earnings and pay less in taxes, while having higher incarceration rates and imposing higher fiscal costs on government, than their counterparts with high school or college degrees.

The Administration has already begun to implement this next phase of education reform in Massachusetts. Last year's budget contained the strongest investment in education in the history of the Commonwealth, including doubled funding to extend student learning time. The Administration has also proposed a historic investment in public higher education, filing a ten-year, \$2-billion bond bill to make long overdue capital improvements at every one of the Commonwealth's state and community colleges and University of Massachusetts campuses. Furthermore, it has convened education, business, community and government leaders as part of the Commonwealth Readiness Project to help develop a comprehensive, ten-year strategic plan to continuously improve public education. In addition, the Administration recently filed Article 87 legislation to create a Secretary of Education, to help coordinate educational policy and build a seamless system of lifelong learning from pre-kindergarten through skills training for adults.

The Administration's fiscal year 2009 budget contains \$368 million in increased education funding to continue moving Massachusetts forward into the next phase of education reform. Guided by initial analysis from the Readiness Project, the budget focuses on key priorities for improving the Commonwealth's education system so that our students can compete with their peers across the country and around the world.

- The budget fully funds Chapter 70 aid to cities and towns, increasing state funding by \$223 million to bring Chapter 70 aid to unprecedented levels. Behind Medicaid, this is the second largest increase in the budget. With this increase, all 328 school districts will receive more Chapter 70 funds than they received in fiscal year 2008.
- The budget increases funding for the Universal Pre-Kindergarten Program by \$15 million, more than a 200 percent increase for the program. This will support grants to an additional 890 child care facilities and schools, benefiting about 14,300 children by promoting readiness for school and other positive child development outcomes.
- The budget provides a second consecutive year of doubled funding for Extended Learning Time Grants, increasing funding from \$13 million to \$26 million. This will provide extended learning time opportunities for over 8,900 additional students.
- The budget increases funding for Kindergarten Expansion Grants by \$8 million. This will allow an additional 440 classrooms to move from half- to full-day kindergarten.
- The budget focuses on closing persistent achievement gaps, providing an additional \$2 million for extra tutoring opportunities for students with low MCAS scores (a 15 percent increase) and an additional \$4.5 million for the Department of Elementary and Secondary Education to provide targeted assistance to underperforming schools to help improve student achievement and test scores (a 49 percent increase).
- The budget includes funding to create an Executive Office of Education headed by a Secretary of Education – reflecting the Article 87 reorganization recently filed by the Administration.

The Administration will be proposing additional education reforms in conjunction with the final report of the Readiness Project in the spring.

Local Aid and Property Tax Relief

The Patrick-Murray Administration recognizes that the quality of life and cost of living in our individual communities fundamentally determines whether businesses will locate and create jobs in Massachusetts and whether we can retain the talented workforce needed to ensure our state's economic success.

In recent years, a combination of inadequate and unpredictable state investments in our cities and towns and escalating municipal cost pressures – particularly for health insurance for public employees – have driven steep increases in property taxes and reductions in core services. This dynamic is a threat to our state's short- and

long-term economic vitality, discouraging businesses and a talented workforce from planting roots in Massachusetts.

The Administration has made it a priority to reverse this dynamic. Despite budget challenges in fiscal year 2008, it did not balance the budget on the backs of municipalities but instead increased Local Aid. This included providing then-record funding for Chapter 70 education aid. The Administration also filed the Municipal Partnership Act, aimed at relieving pressure on property taxes by letting cities and towns join the state health insurance plan (a cost-savings proposal which has become law) and raise revenue from other sources such as a modest meals tax increase and the elimination of an out-of-date phone company tax break.

The Administration's fiscal year 2009 budget continues to prioritize targeted investments in our local communities and property tax relief.

- Local Aid grows by 5.12 percent over last year's budget, including a \$67 million off-budget increase for school construction through the Massachusetts School Building Authority. As previously indicated, the budget also includes \$223 million to bring Chapter 70 education aid to unprecedented levels.
- In October of 2007, Governor Patrick filed legislation that called for the development of up to three resort-style casinos in the Commonwealth, under a regulatory framework that would encourage transparency in the gaming industry. The proposal would create 20,000 permanent jobs throughout the state with good wages and benefits and tens of thousands of additional construction jobs. It would also generate hundreds of millions of dollars in new revenues for state government through up-front casino licensing fees, payments from annual casino operating revenues and additional income and sales tax revenues stemming from new economic activity.
- If enacted, the Administration is proposing using a portion of the initial casino licensing fees in fiscal year 2009 to protect Local Aid for our cities and towns, provide direct property tax relief to Massachusetts homeowners and support local transportation and infrastructure improvements. While up-front casino licensing fees are projected to total at least \$800 million, Governor Patrick is proposing using only \$300 million of these funds in fiscal year 2009 (to mitigate any delays in awarding all three casino licenses).
 - The budget allocates \$124 million of these initial casino licensing fees to protect cities and towns from an anticipated deficit in the State Lottery Fund. This will ensure that our cities and towns receive \$935 million in Lottery distributions (equal to fiscal year 2008 Lottery funding), maintaining much-needed funding to help pay for core public services such as police, fire and education. This Lottery shortfall is expected to diminish in subsequent years.
 - Though not included in the budget, under the gaming legislation, an additional \$176 million of these initial casino licensing fees would be allocated in fiscal year 2009 to provide:
 - \$88 million in direct property tax relief for Massachusetts homeowners through a new income tax credit program.
 - \$88 million for local transportation and infrastructure projects.
- The budget increases the state's reimbursements to cities and towns in lieu of property taxes on state-owned land by \$2 million, continuing progress towards full funding of this program.
- The budget includes \$15 million for water and sewer rate relief for MWRA communities.
- The budget transfers the seven sheriffs who are currently county officers to the state payroll, a reform which not only promotes more efficient government but also provides immediate financial relief for many cities and towns. Under this reform, municipal "maintenance of effort" payments to support these sheriffs' offices will initially be frozen at fiscal year 2008 levels and then eliminated in subsequent fiscal years.

Public Safety

The Patrick-Murray Administration views public safety as a cornerstone of economic growth and opportunity. Safe streets and communities are an essential part of a positive climate for raising a family, pursuing a career or

growing a business in Massachusetts. Similarly, we all have a moral and economic obligation to give young people positive and productive alternatives to drugs and gangs.

Taking office at a time of increased incidents of violent crime throughout the Commonwealth, the Administration made public safety a top priority in 2007. In April, it established the Governor's Anti-Crime Council, a panel of key public safety, human services and community and government leaders convened to develop comprehensive proposals for preventing and fighting crime and violence – focusing in particular on the issues of gun and gang violence. The Administration funded new officers on the beat and Shannon Grants, summer jobs and volunteer programs to give at-risk young people alternatives to drugs and gangs. It also filed a legislative package of anti-crime measures to shrink the supply of illegal guns, mandate post-release supervision and re-entry support for all inmates and share information among government agencies to assist at-risk youth.

The Administration's fiscal year 2009 budget builds on this record of vigilant crime prevention and law enforcement efforts to make our communities even safer places in which to live and work.

- The budget increases funding for new Municipal Police Grants by \$4 million, bringing funding for the program to \$8 million. This funding reflects the Administration's continuing commitment to putting additional police officers on the beat to make our neighborhoods and communities safer and more secure.
- The budget provides an additional \$4 million for Shannon Grants, bringing funding for the program to its highest level ever (\$15 million). This is also the first time that funding for Shannon Grants has been included in the base budget. This funding will enable the program to distribute additional grants to communities to address gang-related crime through outreach to at-risk youth, job skills workshops, reentry programs and other crime prevention strategies.
- The budget includes a \$5 million increase for Youth Violence Prevention grants administered by the Department of Public Health in consultation with the Executive Office of Public Safety and the Executive Office of Labor and Workforce Development. This funding increase will support services for as many as 7,660 additional young people. It also includes a \$2.5 million increase for the summer jobs program under the Executive Office of Labor and Workforce Development, which will make summer job grants available to more than 20 communities in the state that suffer from high incidences of juvenile delinquency.
- The budget provides a total of \$4 million in increased funding for the Chief Medical Examiner's Office (\$2.3 million) and the State Police Crime Lab (\$1.7 million) to implement the recommendations of the Vance Reports. This will help reduce a backlog in DNA testing at the Crime Lab and improve operations at the Chief Medical Examiner's Office.

Job Creation

Job creation has been a central focus of the Patrick-Murray Administration's governing agenda. The core elements of its job creation strategy are to capitalize on our strengths in brainpower and cutting-edge research and development, turning ideas from the laboratory into products made and new jobs created in Massachusetts; to make the Commonwealth more business-friendly; and to vigorously promote *every* region of our state as great places to do business. The Administration has put this strategy into action by:

- streamlining state permitting to spur economic growth, cutting approval time from two-to-three years to six months on development projects.
- strengthening the state's business development team to increase outreach and customer service and spark investment in high-growth sectors, including adding a permitting ombudsman.
- winning nationally and internationally competitive bids to attract cutting-edge clean energy and life sciences companies, such as Evergreen Solar and Organogenesis.
- reversing restrictive stem cell research regulations put in place by the previous Administration, to ensure that Massachusetts will be at the forefront of stem cell research and life sciences.
- launching the Springfield Partnership, a revitalization effort to improve the local business environment and use state investments to leverage local economic development.

Through these and other efforts, Massachusetts added over 20,000 new jobs in 2007 – rising from 49th to 15th in the nation in job creation. This represents significant progress towards Governor Patrick's goal of creating 100,000 new jobs in the Commonwealth.

To help secure our state's economic future, the Administration has also proposed a comprehensive plan to make Massachusetts the global leader in life sciences. This ten-year, \$1 billion investment package would enhance our state's already nationally recognized assets in medicine and science and fill gaps in federal funding to support life science progress from the ideas stage through the production stage. The plan would not only create numerous good-paying jobs in the Commonwealth but also spur the development of cures and treatments for disease that will improve the lives of people throughout the world.

The Administration's fiscal year 2009 budget makes targeted, high-yield investments in these and other proven strategies to help spur further job creation in the Commonwealth.

- The budget reserves the first \$25 million of year-end budget surpluses for investing in life sciences, funding grants to leverage federal research dollars and assist life sciences businesses in taking the next steps towards product viability and expansion. These grants, in combination with proposed, targeted tax incentives for job creation and capital investments, would help fuel the growth of the life sciences sector in the Commonwealth. Similar to what was done previously, this funding would be made available through the Bay State Competitiveness Investment Trust Fund (which is capitalized with the first \$100 million in year-end budget surpluses).
- Under the Administration's plan, the Bay State Competitiveness Investment Trust Fund would then allocate budget surplus funds it receives to the Alternative and Clean Energy Fund (\$20 million), the Affordable Housing Trust Fund (\$15 million), the Workforce Competitiveness Trust Fund (\$15 million), low-income heating and energy assistance (\$15 million), the Cultural Facilities Fund (\$7 million) and Regional Efficiency Assistance Grant Trust Fund (\$3 million).
- The budget provides \$1.5 million in new funding for the Office of Small Business and Entrepreneurship (OSBE), which works with community development organizations to provide grants and technical assistance for businesses with fewer than 20 employees to improve productivity and increase profits.
- The budget maintains \$4.0 million in funding for the state's Expedited Permitting Office, including \$3.5 million for technical assistance grants to municipalities to support efforts to expedite permitting and promote local and regional business development.
- The budget includes over \$4 million for a new, competitive Regional Tourism Grant program administered by the Massachusetts Office of Travel and Tourism, to match local and regional investments in promoting natural, cultural and historical attractions throughout the state.

Fiscal Responsibility

These targeted investments are part of a fiscally responsible budget. The Patrick-Murray Administration did not resort to rigid, "one size fits all" solutions to close a projected budget gap of well over a billion dollars. Rather, it pursued a *balanced* approach to balancing the budget, putting taxpayer dollars to their most efficient and effective uses and identifying careful approaches to generating additional revenues.

Savings

First and foremost, the Administration attempted to close the projected budget gap and pay for targeted investments through savings in state programs. It curbed unnecessary or unwarranted state expenditures through an emphasis on efficiency, performance and reform. This spending restraint achieved \$479 million in gross budget savings (\$344 million in net budget savings).

- The budget includes over \$300 million in gross savings (over \$160 million in net savings) in our state's Medicaid program (MassHealth) through value- and cost-based purchasing of health care services, providing the right care in the right setting, and efficient drug utilization. These savings are needed to

help pay for strong enrollment in the Commonwealth Care Health Insurance Program – a cornerstone of our health care reform law. Examples of MassHealth cost containment initiatives include:

- expanding chronic disease management strategies, to ensure that MassHealth members receive appropriate care to avoid increased complications and costs.
 - expanding MassHealth's pay-for-performance initiative to payments to Medicaid managed care organizations, nursing facilities and physicians. Through its Healthy Massachusetts Initiative, the Administration also intends to coordinate MassHealth's pay-for-performance initiative with cost and quality incentives in other state health insurance programs. This will maximize the state's capacity to leverage cost and quality improvements in our health care system.
 - promoting the use of medically appropriate, less costly generic prescription medications as alternatives to brand-name drugs.
- The budget offers comprehensive, affordable health insurance coverage to state employees through the Group Insurance Commission, while including reforms to improve the fairness and sustainability of health coverage for state employees. The budget changes employee contributions from a system based on date of hire to a more rational system based on salary levels and affordability:

Salary Level	Employee Contribution
<\$35,000	15%
\$35,000-\$50,000	20%
>\$50,000	25%

This reform would *reduce* contributions for 6,000 state employees – and for another 16,000 state employees, contribution levels would not change. For many other state employees, contribution levels would increase modestly based on salary and affordability. In the aggregate, these reforms would reduce system costs by \$51 million in fiscal year 2009, better positioning the Commonwealth over time to continue to provide comprehensive health insurance to state workers.

- The budget eliminates nearly \$40 million of earmarks enacted through last year's budget – removing earmarks that, however well-intentioned, were inconsistent with the mission of the agency under which they were funded or otherwise not affordable in a challenging budget year.
- The budget holds nearly 190 line-items to zero growth in spending for fiscal year 2009. Base spending for these line items totaled almost \$1.5 billion in fiscal year 2008.

The budget also includes other reforms aimed at making government at every level more efficient, effective and accountable and laying the foundation for cost savings.

- The budget converts the seven existing county sheriffs into state sheriffs. While the seven state sheriffs are funded only through state appropriations, the county sheriffs receive funding from *seven* different mechanisms – including highly unstable deeds excise taxes – and are subject to a more bureaucratic and fragmented funding process. Making them into state sheriffs would provide greater fiscal stability and equity for these sheriffs and, through more uniform accounting, improve understanding and oversight of their finances. It would also achieve cost savings through providing health benefits for these sheriffs' offices through the GIC.

This change would not only benefit current county sheriffs but also municipalities, which must currently provide part of the sheriffs' revenues through increasing annual "maintenance of effort" payments. Under this proposal, fiscal year 2009 "maintenance of effort" payments from municipalities would be frozen at fiscal year 2008 levels – and then eliminated in fiscal year 2010. This would help free up local resources for other important purposes.

- The budget simplifies and clarifies funding for transportation by directing all transportation-related revenues to a new Transportation Fund, funding all transportation-related expenses (including debt service on bonds issued for transportation purposes) from this Fund. This reform would provide the

Commonwealth and the public with a more transparent and true accounting of our transportation revenues and expenses and of the extent to which transportation expenses need to be subsidized by non-transportation-related General Fund receipts.

This change helps lay the groundwork for subsequent, comprehensive transportation reform proposals being developed by the Administration in consultation with transportation and finance experts, legislators and other stakeholders, with the goal of more effectively and efficiently managing and financing our transportation system. The budget includes \$1 million to help advance these policy development efforts and initial implementation of comprehensive transportation reforms.

- The budget contains reforms to enhance the ability of the Department of Conservation and Recreation (DCR) to focus on and succeed at its core mission of protecting recreational assets, parks, beaches and forests, including:
 - consolidating sixteen DCR funding accounts to allow the agency to allocate resources more effectively and realize greater efficiencies.
 - allowing a greater portion of revenues generated at parks and beaches to remain at those facilities, creating opportunities for innovation, entrepreneurship and an increased focus on public-private partnerships.
 - proposing the long-term leasing of the Ponkapoag Golf Course – offering the public an improved facility while enabling the DCR to narrow its focus to its core responsibilities.
- The budget supports efforts to improve the efficiency of government's business operations, including:
 - realigning funding for the Information Technology Division (ITD) to increase its administrative account by \$1.2 million, to help ITD exercise greater coordination and oversight of state information technology purchases and leverage significant cost savings as well as ensure that its employees are not funded through the capital budget.
 - requiring agencies to submit an information technology plan as part of their budgets for review by ITD.
 - dedicating \$3 million of budget surpluses deposited in the Bay State Competitiveness Investment Trust Fund for grants to encourage and help municipalities to implement regional approaches to delivering services, in an effort to improve service delivery while containing or reducing costs.
 - allowing state agencies to post procurement notices online instead of in newspapers, saving hundreds of thousands of dollars and still providing adequate notice of government procurement opportunities.
 - funding a study and creating a new legislative commission to design a reformed maintenance model for state facilities, focused principally on using existing funds more efficiently to maintain and improve state building conditions.
 - examining opportunities to consolidate administration of the Commonwealth's workers' compensation program within the state's Human Resources Division, reducing duplication of work and administrative costs. Moving personnel costs currently paid in the capital budget to the operating budget *and* equipment costs currently paid in the operating budget to the capital budget – a no-cost realignment to reduce the fiscally imprudent practice of paying for operating costs through the capital budget.

Revenues

The budget includes a careful and fiscally responsible approach to generating additional revenue to close the budget gap, pay for targeted investments in our future and improve our structural budget climate.

- The budget includes over \$150 million in additional revenues resulting from initiatives to improve enforcement of our existing tax laws. Highlights of these initiatives include:
 - *Enhanced enforcement of tobacco excise taxes by encrypting tobacco stamps.* Tobacco stamps are used to show payment of excise taxes, but the current stamp technology is ineffective and easy to counterfeit. Encrypting tobacco stamps would enable the Department of Revenue (DOR) to track cigarette packs throughout distribution to ensure proper tax collection and reduce contraband trafficking and other illegal tax evasion practices.
 - *Shifting the cigar and pipe tobacco excise taxes from the retail level to the wholesale level.* Cigar and pipe tobacco excise taxes are currently taxed at the retail level in Massachusetts. Collecting these

tobacco excise taxes from wholesalers instead of retailers would improve tax collections, enabling DOR to focus its audit, enforcement and collection efforts on fewer, larger taxpayers.

- Requiring wholesalers of cigarettes to prepay sales taxes. DOR must currently collect sales taxes on cigarettes from a myriad of local retailers. Requiring wholesalers of cigarettes to charge and collect a prepaid sales tax from cigarette retailers would likewise improve tax collections by enabling the Department to focus collections and enforcement activities on fewer, larger taxpayers.
- Improved wage enforcement. Misclassification of employees as independent contractors has resulted in millions of dollars in lost tax revenues and denied workers health insurance and workers' compensation benefits. The Attorney General will work with the DOR and other state agencies to bring new focus and visibility to the enforcement of employee classification laws, to improve compliance and ensure appropriate payment of taxes.
- Increased revenue collections due to the hiring of 87 additional auditors authorized in 2008.

The budget also revokes existing tax exemptions for sales of aircraft and aircraft replacement parts and pesticides, generating an additional \$12 million in revenue. These tax exemptions cost the state needed revenues without sufficient public policy justification.

- As the Administration proposed last year, the budget calls for closing certain unintended corporate tax loopholes that have distorted our tax system and cost our state revenues needed for public investments in strengthening our economic competitiveness. The two main reforms included in the budget are "combined reporting" (taxing certain corporate income shifted to out-of-state subsidiaries) and "check the box conformity" (requiring businesses filing as corporations with the federal government and other states to use the same form in Massachusetts). These changes will improve tax fairness, ensuring that larger and out-of-state businesses pay taxes at the same rate as smaller and Massachusetts-based businesses. They will also modernize our tax system to match those of many of our economic competitors. Finally, these reforms will generate \$297 million in additional revenues in fiscal year 2009, helping to pay for new investments in education, affordable housing and transportation demanded by our businesses and our citizens.

In response to thoughtful discussion about corporate tax policy over the past year, the Administration is also proposing to reduce the corporate tax rate from 9.5 percent to 8.3 percent over three years, cutting the rate to 9.1 percent in 2010, 8.7 percent in 2011, and 8.3 percent in 2012. These substantial rate reductions will help Massachusetts' businesses, especially smaller and in-state businesses, compete in the global economy. Together with the Administration's proposal to close corporate tax loopholes, these changes reflect the recommendations of the Study Commission on Corporate Taxation appointed by Governor Patrick, the Speaker of the House of Representatives and the President of the Senate.

- As previously discussed, the budget dedicates a portion of up-front licensing fee revenues from the Administration's proposal to create three destination resort casinos in Massachusetts to protect cities and towns from an anticipated \$124 million deficit in the State Lottery Fund in fiscal year 2009. Though not included in the budget, under the gaming proposal, additional license fees from these casinos would also provide \$88 million for direct property tax relief and \$88 million for local transportation and infrastructure projects in fiscal year 2009.

Measures like these enabled us to balance the budget and make targeted investments in our future without having to use an excessive amount of reserves. While the Administration was unable in one year to reverse an established pattern of using one-time revenue sources, the budget proposes and implements a formula for the responsible and measured use of reserves. This formula calls for using reserves *only* to the extent needed to protect against lower-than-average revenue growth.

The resulting use of \$369 million in reserves will prevent harmful cuts in the event of slow revenue growth while also guarding against using reserves to fund unsustainable program expansions. This limited use of reserves would preserve \$1.85 billion in the Stabilization Fund to protect the state in the event of a serious fiscal downturn. This would still leave Massachusetts with one of the largest Rainy Day funds in the nation. Moreover, if revenues do grow at the five-year average, then this use of reserves would not be needed to support contemplated spending.

Transparency

The Patrick-Murray Administration is deeply committed to making the operation of state government more transparent – and information about state government more accessible – to the people of Massachusetts. Opening up state government empowers the public to participate in shaping our collective priorities and to hold government accountable for delivering on those priorities.

As recognized recently by the McCormack Graduate School of Policy Studies and the Massachusetts Budget and Policy Center, “Massachusetts made dramatic progress towards a more transparent budget process over the past year.” Last year’s budget contained a number of changes to improve the transparency and accessibility of state financial information:

- A budget tracking tool on the Governor’s website provided line-item appropriation numbers for the fiscal year 2007 budget and each fiscal year 2008 budget proposal as it was released, allowing for easy comparisons.
- Historical spending levels for the past four fiscal years were provided on the Governor’s website for each line-item in the budget.
- Historical government employment levels over the same period, along with fiscal year 2008 projections, were included for each state department and agency.
- A departmental information link on the Governor’s budget site provided department and agency mission statements, goals, organization charts, and links.
- A budget navigation guide on the Governor’s website provided a brief introduction to reading and interpreting the state budget.
- Downloadable budget files were made available on the Governor’s site, including a downloadable line-item appropriation spreadsheet updated with each new budget proposal.

In submitting its fiscal year 2009 budget, the Administration is taking further steps to make it easier to find and understand key information about state finances, including:

- providing additional information about revenues, including an on-line drill-down by government unit, summaries by fund for revenues and expenditures and descriptions of the various revenue sources.
- detailing the various transfers between state funds, including revenues from fringe benefits, the Stabilization Fund and tobacco settlements as well as transfers to cover the costs of major health care programs – including the Commonwealth Care Health Insurance Program, the Essential Community Provider Trust Fund, the Health Safety Net Trust Fund (formerly the Uncompensated Care Pool), the Medical Assistance Trust Fund and retiree health insurance benefits.
- providing more information in the printed budget, including additional agency detail such as mission statements, website links and employment levels.
- posting formatted Word and .pdf versions of the entire budget for download and printing from the budget website.
- including the tax expenditure budget with printed and online versions of the operating budget, elevating the prominence of policy decisions *not* to collect tax revenues and thereby effectively invest state tax dollars for particular policy purposes.
- providing additional context for the decisions that were made in developing the budget, including substantial information on our state’s economy, the forces behind this year’s projected budget gap and the solutions used to address the shortfall.
- compiling related budget documentation on the budget website, including a budget glossary, a budget calendar and supplemental budget and capital bond bills as they are filed and enacted.
- making the full budget website ADA-accessible.

Conclusion

The Patrick-Murray Administration's fiscal year 2009 budget is an important and fiscally responsible step forward on the path to change and shared prosperity for Massachusetts. Still, achieving the full promise of a better, stronger Commonwealth will clearly take much more work.

Our state's many policy challenges have developed over decades, and they cannot be solved overnight. Likewise, while the choices embodied in this budget would improve our fiscal climate in subsequent years, it will take continued effort to build a truly sustainable fiscal framework that can help accomplish the progress and change our state needs. Along these lines, health-related budget costs are a source of particular concern, as they already comprise 45 percent of state spending and are growing at unsustainable rates. Further collaboration between the Administration, Legislature and other stakeholders to identify sensible and effective ways to rein in these costs is critical to ensuring the success of our state's historic health care reform legislation and preserving sufficient resources to invest in *other* pressing public priorities.

The Administration looks forward to working with the Legislature to enact a fiscally responsible fiscal year 2009 budget that continues to move our state forward on the path towards change and shared prosperity – and move our state's finances towards long-term sustainability.

Program and Policy Highlights

Education

- \$15 million increase for the Universal Pre-Kindergarten Program, an over 200 percent increase.
- Fully funds Chapter 70 education aid to cities and towns, increasing state aid by \$223 million. Also provides \$5.5 million for the Foundation Reserve.
- \$13 million increase for Extended Learning Time Grants, doubling funding for the program.
- \$8 million increase for Kindergarten Expansion Grants.
- \$4.5 million increase for Targeted Assistance to Schools and Districts, a 49 percent increase.
- \$2 million increase for Student Supports to Close Achievement Gap/MCAS low-scoring student support program.
- \$1.5 million for a new Executive Office of Education headed by a Secretary of Education, including a systemic accountability and assistance office. This is consistent with the Article 87 Reorganization recently filed by the Administration.
- \$1.5 million increase in funding for METCO.
- \$2 million to reinstate the dual enrollment program administered by the Department of Higher Education, to give up to 2,500 high school students access to college classes.
- Outside of the budget, the Massachusetts Educational Finance Authority (MEFA) will provide \$1 million this year and \$350,000 for each of the next three years to develop and launch a "one stop shopping" website to help Massachusetts students plan for, research, and be prepared for college and careers.

Local Aid

- Local Aid grows by 5.12 percent over last year's budget, including a \$67 million off-budget increase for school construction through the School Building Authority.
- Holds cities and towns harmless from anticipated \$124 million deficit in the State Lottery Fund – allocating initial gaming license fees upon enactment to ensure that municipalities receive \$935 million in Lottery distributions.
- Though not included in budget, casino license fees would also provide \$88 million for direct property tax relief and \$88 million for local transportation and infrastructure projects in fiscal year 2009 under Administration's proposal.
- \$2 million increase in reimbursements to cities and towns in lieu of property taxes on state-owned land.
- \$15 million for water and sewer rate relief for MWRA communities.
- Converts current county sheriffs to state sheriffs, not only promoting more efficient government but also providing financial relief to municipalities.

Public Safety

- \$4 million increase for the Municipal Police Grant Program, doubling fiscal year 2008 funding for the program.
- \$4 million increase for Shannon Grants, the highest ever funding for the program and first time that it is funded in the base budget.
- \$5 million increase for Youth Violence Prevention Grants administered by the Department of Public Health in consultation with the Executive Office of Public Safety and the Executive Office of Labor and Workforce Development.
- \$2.5 million increase for the summer jobs program administered by the Executive Office of Labor and Workforce Development.
- \$4 million in increased funding for the Chief Medical Examiner's Office (\$2.3 million) and the State Police Crime Lab (\$1.7 million) to implement the recommendations of the Vance Reports.
- \$1.5 million increase for the State Parole Board to increase residential beds, open a district office and hire eight parole officers.
- \$477,000 increase for the Criminal History Systems Board.
- Fully funds global positioning system established at the end of fiscal year 2007 to track domestic violence abusers and those convicted of sexual offenses against children.

Economic Development and Housing

- \$25 million reserved for investments in life sciences through budget surplus amounts deposited in Bay State Competitiveness Investment Trust Fund
 - Bay State Competitiveness Investment Trust Fund would then allocate budget surplus funds it receives to the Alternative and Clean Energy Fund (\$20 million), the Affordable Housing Trust Fund (\$15 million), the Workforce Competitiveness Trust Fund (\$15 million), low-income heating and energy assistance (\$15 million), the Cultural Facilities Fund (\$7 million), and Regional Efficiency Assistance Grant Trust Fund (\$3 million). If the Bay State Fund had less than \$75 million after life sciences investments, the funding would be allocated proportionally among these purposes.
- \$1.5 million increase for the Office of Small Business and Entrepreneurship, which provides technical assistance and grants to support businesses with less than 20 employees.
- \$4 million for the state's Expedited Permitting Office, including \$3.5 million for technical assistance grants to municipalities to support efforts to expedite permitting and promote local and regional business development.
- \$8.25 million in start-up investments for the first phase of implementing the recommendations of Commission to End Homelessness, which will support pilot initiatives to reform the homeless services delivery system in the Commonwealth to a "housing first" model. MassHousing is seeking federal approval to augment this investment by providing an additional \$1.75 million in each of the next four fiscal years to support this initiative.
- \$13 million increase in the state's operating subsidy to local housing authorities (LHA's), allowing LHA's to make long-neglected investments in facilities maintenance and improve the energy efficiency of housing units.
- \$5 million for a program at the Division of Banks to oversee the mortgage lending industry and provide foreclosure counseling and prevention services to communities most at-risk of foreclosures and predatory lending.
- Over \$4 million for a new, competitive Regional Tourism Grant program administered by the Massachusetts Office of Travel and Tourism, to match local and regional investments in promoting natural, cultural and historical attractions throughout the state.

Health and Human Services

- 5.6 percent overall funding increase for MassHealth, as compared to the fiscal year 2008 General Appropriations Act.
- Over \$300 million in gross MassHealth savings (over \$160 million in net savings) through value- and cost-based purchasing of health care services, providing the right care in the right setting, and efficient drug utilization – including expanding chronic disease management and expanding pay-for-performance to payments to Medicaid managed care organizations, nursing facilities and physicians.

- \$869 million for Commonwealth Care, an 84 percent increase over the fiscal year 2008 General Appropriations Act due to greater-than-expected success in enrolling previously uninsured individuals in the program.
- \$453 million for the Health Safety Net Trust Fund.
- \$46 million to implement the first year of the Community First Initiative, to help elderly and disabled MassHealth members receive care in their communities instead of in institutional settings.
- \$25 million for coordinated care services for children suffering from severe emotional disturbances (based on *Rosie D* case).
- \$23 million for the Purchase of Service Performance Initiative to provide salary increases for direct care providers and take initial steps towards implementing reform of purchase of service reimbursement mechanisms.
- \$1.89 million for the Health Care Quality and Cost Council, a \$500,000 increase over fiscal year 2008 spending.
- \$5.7 million increase for the Department of Public Health to meet increasing demand for Early Intervention Services.
- \$1 million for Executive Office of Health and Human Services to address health disparities within the Commonwealth.
- Recognizes the establishment of the Office of the Child Advocate by Executive Order 494, to investigate allegations of child abuse and neglect and supply independent oversight of agencies providing services to children.
- \$1.7 million increase in spending for substance abuse services, a 2.23 percent increase.
- Maintains \$12 million for smoking prevention programs, reflecting continuation of a significant funding increase received in fiscal year 2008.
- Continues to implement two new vaccines (Rotavirus Vaccine and Meningococcal Conjugate Vaccine) under the Universal Immunization Program.
- \$4.2 million increase for the Department of Social Services to increase the number of social workers and clinical managers in an effort to decrease caseload concerns.
- An additional \$250,000 for the Department of Veterans' Services to fund veterans' homeless shelters throughout the state.
- \$750,000 increase for the Massachusetts Office of Refugees and Immigrants for the Citizenship for New Americans Program, helping legal immigrants to become U.S. citizens. The Department of Transitional Assistance and the Massachusetts Office for Refugees and Immigrants (MORI) are working together to help eligible EAEDC recipients attain U.S. citizenship.
- \$2.6 million increase for the Women Infants and Children Program (containing both state and federal funds), to provide nutritional assistance to an additional 3,000 clients per month.

Energy and Environment

- \$6.3 million increase for the Department of Conservation and Recreation (DCR) for basic park, forest and beach operations and maintenance and to hire additional park rangers, including \$2.3 million in retained revenue generated at these facilities. The Administration's investment increases the operating budget for DCR to over \$100 million dollars, the highest recommended appropriation since the creation of the agency in 2004.
- Consolidates sixteen DCR funding accounts to allow the agency to allocate resources more effectively and realize greater efficiencies.
- Proposes long-term leasing of the Ponkapoag Golf Course – offering the public an improved facility while enabling DCR to focus on its core mission.
- \$250,000 to restore the Natural Heritage and Endangered Species Program (NHESP) as a budgetary line item, providing more funding stability for this important program. NHESP is responsible for the collection and analysis of baseline scientific data regarding endangered species, which provide leading indicators for global climate change and are fundamental criteria for state land acquisition.
- \$640,000 increase for the Regional Greenhouse Gas Initiative and Mercury Management Act programs at the Department of Environmental Protection.

Transportation

- \$5 million increase for new staff, security and technology at the Registry of Motor Vehicles, to ensure proper implementation of core programs (such as Melanie's Law) and reduce wait times and improve customer service at branches and call centers.
- Simplifies and clarifies funding for transportation by directing all transportation-related revenues to a new Transportation Fund, funding all transportation-related expenses (including debt service on bonds issued for transportation purposes) from this Fund.
- \$1 million to help advance policy development and initial implementation of comprehensive transportation reforms.

Labor and Workforce Development

- Allocates \$15 million from budget surpluses to recapitalize the Workforce Competitiveness Trust Fund (WCTF). Funding would enable the WCTF (which was originally funded in 2006) to award additional grants for collaborative employment and training programs proposed by labor organizations, industry groups and regional entities. The \$15 million would be made available through the Bay State Competitiveness Investment Trust Fund, which is funded with the first \$100 million in year-end budget surpluses.
- \$900,000 for the Massachusetts Service Alliance as the state's contribution to the federal Americorps program, allowing it to leverage about \$10 million in annual federal funding for Americorps.
- \$21 million for Workforce Training Fund investments.
- \$5.5 million for one-stop career centers.
- \$1.6 million for the Massachusetts Manufacturing Extension Partnership.
- Fully consolidates the Board of Conciliation, the Labor Relations Commission and the Joint Labor-Management Commission into the new Division of Labor Relations – reflecting the Administration's reorganization and allowing for more flexible use of resources to address backlogs that existed at the three agencies.
- \$180,000 to support enhanced efforts by the Division of Occupational Safety (DOS) to ensure that Massachusetts' workers are protected under the state's employment and training laws and regulations.

Other Branches of Government

Judiciary

- Total of \$814.5 million for the Supreme Judicial Court, Trial Court, Appeals Court, Public Counsel Services, Commission on Judicial Conduct, Board of Bar Examiners and Mental Health Legal Advisors Committee.
- Trial Court's 148 line items were consolidated into thirteen, consistent with the Monan Report's recommendations for court reform, and encouraging more effective performance management.
- Requires the Trial Court to better report fee collections.
- Gives the Chief Justice for Administration and Management full transferability between line items.
- \$2.4 million increase for the Massachusetts Legal Assistance Corporation to provide civil legal aid to assist indigent citizens with housing, domestic violence and health care issues.
- Fully funds the Committee for Public Counsel Services' District Court, Juvenile Court and children and family law public defender expansion, as recommended by the 2004 Rogers Report.

Constitutional Officers

- \$6.8 million in additional elections and voter registration funding for the Secretary of the Commonwealth, fully funding 2008 state primary and general election costs.
- \$3 million for the State Lottery Commission under the State Treasurer for expanding Lottery games (Keno, Daily Race Game) in order to generate additional revenues.
- \$719,000 in additional funding for the Attorney General for expanded advocacy on behalf of electricity and gas consumers (funded by an increased assessment on suppliers).
- Maintains last year's significant increase for the State Auditor's Medicaid Audit Unit, to identify fraud and abuse in our state's Medicaid program.

District Attorneys

- Total of \$101.3 million for District Attorneys (including the District Attorneys' Association).
- Continues full funding for all District Attorneys' offices to participate in the District Attorneys' Association's Discovery document management system and for city and town police departments to participate in its DAMION electronic case management system.

Independent Agencies

- Fully funds the Massachusetts Commission Against Discrimination's new Worcester and New Bedford offices and expands the Commission's training program to proactively avoid discrimination in the workplace and housing.
- Allows the state Ethics Commission to permit the filing of Statements of Financial Interest through all web browsers.